

Internal Revenue Service

Number: **202017024**

Release Date: 4/24/2020

Index Number: 336.00-00, 336.05-00,
9100.00-00, 9100.22-00

Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:3
PLR-117975-19
Date:
January 27, 2020

Legend

Corp X =

Entity A =

Entity B =

Entity C =

Direct Purchaser =

S Corporation Target =

S Corporation Shareholder =

Company Official =

Tax Professionals =

Date 1 =

Dear :

This letter responds to a letter dated July 30, 2019, submitted on behalf of S Corporation Target, requesting an extension of time under §§301.9100-1 through 301.9100-3 of the Procedure and Administrative Regulations to file an election. S Corporation Target, S Corporation Shareholder, Entity A, an entity currently disregarded as separate from its owner for federal income tax purposes, and Corp X, as the owner of Entity A (collectively, “the Parties”), are requesting an extension of time to file the election statement under §1.336-2(h)(3)(iii) of the Income Tax Regulations (“Election Statement”) with respect to Direct Purchaser’s acquisition of the stock of S Corporation Target from S Corporation Shareholder on Date 1. Additional information was submitted subsequently. The material information submitted is summarized below.

On Date 1, Direct Purchaser, an entity disregarded as separate from its owner for federal income tax purposes, acquired all the stock of S Corporation Target from S Corporation Shareholder (the “Disposition”). Entity A, then taxable as a partnership for federal income tax purposes, owned Entity B, an entity disregarded as separate from its owner for federal income tax purposes, which owned Entity C, an entity disregarded as separate from its owner for federal income tax purposes, which owned Direct Purchaser. It has been represented that the Disposition qualified as a “qualified stock disposition” as defined in §1.336-1(b)(6).

Prior to the due date for S Corporation Target’s tax return for the taxable year that included Date 1, S Corporation Shareholder and S Corporation Target entered into a written, binding agreement providing that a section 336(e) election would be made with respect to the Disposition. However, for various reasons, the tax return for the taxable year that included Date 1 and the Election Statement were not timely filed. Subsequently, a request was submitted under §301.9100-3 for an extension of time to file the Election Statement. The Parties have each represented that they are not seeking to alter a return position for which an accuracy-related penalty has been or could be imposed under section 6662.

Regulations promulgated under section 336(e) permit certain sales, exchanges or distributions of stock of a corporation to be treated as an asset disposition if: (1) the

disposition is a “qualified stock disposition” as defined in §1.336-1(b)(6); and (2) a section 336(e) election is made.

Section 1.336-2(h)(3) provides that a section 336(e) election for an S corporation target is made by: (i) all of the S corporation shareholders, including those who do not dispose of any stock in the qualified stock disposition, and the S corporation target entering into a written, binding agreement, on or before the due date (including extensions) of the federal income tax return of the S corporation target for the taxable year that includes the disposition date, to make a section 336(e) election, (ii) the S corporation target retaining a copy of the written agreement, and (iii) the S corporation target attaching the section 336(e) election statement, described in § 1.336-2(h)(5) and (6), to its timely filed (including extensions) federal income tax return for the taxable year that includes the disposition date.

Under §301.9100-1(c), the Commissioner has discretion to grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad), under all subtitles of the Internal Revenue Code except for subtitles E, G, H, and I.

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make a regulatory election. Section 301.9100-1(a). Section 301.9100-2 provides automatic extensions of time for making certain elections. Requests for relief under §301.9100-3 will be granted when the taxpayer provides evidence to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government. Section 301.9100-3(a).

The time for filing the Election Statement is fixed by the regulations (i.e., §1.336-2(h)(3)(iii)). Therefore, the Commissioner has discretionary authority under §301.9100-3 to grant an extension of time to file the Election Statement, provided the Parties acted reasonably and in good faith, the requirements of §§301.9100-1 and 301.9100-3 are satisfied, and granting relief would not prejudice the interests of the government.

Information, affidavits, and representations submitted by the Parties, Company Official, and Tax Professionals explain the circumstances that resulted in the failure to timely file the Election Statement. The information establishes that the request for relief was filed before the failure to timely file the Election Statement was discovered by the Internal Revenue Service. See §301.9100-3(b)(1)(i).

Based on the facts and information submitted, including the representations made, we conclude that the Parties have acted reasonably and in good faith, the requirements of §§301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government. Accordingly, an extension of time is granted under §301.9100-3, until 45 days from the date of this letter, to file the Election Statement.

WITHIN 45 DAYS OF THE DATE ON THIS LETTER, S Corporation Target must file the Election Statement in accordance with §1.336-2(h)(3)(iii). The Election Statement must be attached to S Corporation Target's tax return for the taxable year that included Date 1. In addition, a copy of this letter must be attached to S Corporation Target's return. Alternatively, if S Corporation Target files its return electronically, it may satisfy the requirement of attaching a copy of this letter to the return by attaching a statement to its return that provides the date on, and control number (PLR-117975-19) of, this letter ruling.

WITHIN 120 DAYS OF THE DATE ON THIS LETTER, all relevant parties must file or amend, as applicable, all returns and amended returns (if any) necessary to report the transaction consistently with the making of a section 336(e) election for the taxable year in which the transaction was consummated (and for any other affected taxable year).

The above extension of time is conditioned on all relevant taxpayers' tax liabilities (if any) being not lower, in the aggregate, for all years to which the section 336(e) election applies than it would have been if the Election Statement had been timely filed (taking into account the time value of money). No opinion is expressed as to the taxpayers' tax liabilities for the years involved. A determination thereof will be made by the applicable Directors' office upon audit of the federal income tax returns involved.

We express no opinion as to: (1) whether the Disposition qualifies as a "qualified stock disposition"; or (2) any other tax consequences arising from the section 336(e) election.

In addition, we express no opinion as to the tax consequences of filing the return or making the section 336(e) election late under the provisions of any other section of the Code and regulations, or as to the tax treatment of any conditions existing at the time of, or resulting from, making the section 336(e) election late that are not specifically set forth in the above ruling. For purposes of granting relief under §301.9100-3, we have relied on certain statements and representations made by the Parties, Company Official, and Tax Professionals. However, the Director should verify all essential facts. In addition, notwithstanding that an extension is granted under §301.9100-3 to file the Election Statement, penalties and interest that would otherwise be applicable, if any, continue to apply.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is

being sent to your authorized representative.

Sincerely,

T. Ian Russell
Chief, Branch 1
Office of Associate Chief Counsel (Corporate)

cc: